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**ZTE中兴**  
**ZTE CORPORATION**  
**中興通訊股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 763)**

## **Announcement on the Waiver of Rights**

*The Company and all members of the Board of Directors confirm that all the information contained in this announcement is true, accurate and complete and that there is no false or misleading statement or material omission in this announcement.*

To meet the needs of its business development, ZTE ITS LTD.(Wuxi) (中興智慧交通(無錫)有限公司) (“ZTE ITS”), an investee company of ZTE Corporation (“ZTE” or the “Company”), has proposed to reorganize its shareholding structure. In respect of the proposed shareholding reorganization of ZTE ITS, ZTE has waived its first right of refusal for the equity transfer and the capital contribution option for the capital increase.

### **I. General Information of ZTE ITS**

ZTE ITS was established in April 2000 at Wuxi, its place of registration (the original place of registration was Beijing which was changed to Wuxi in 2011), with a registered capital of RMB15 million. It is principally engaged in the provision of high-quality integrated IT solution and product services in transport management for city transport, expressways, rail transport (underground railway, light railway and railway). The Company has made a capital contribution of RMB2.85 million for a 19% equity interest. The current shareholders and shareholding structure of ZTE ITS are set out in the following table:

Name of shareholders	Form of capital contribution	Percentage of shareholding	Paid-in capital contribution (RMB in ten thousands)
Asia Pacific International Holdings Group Limited (亞泰國際控股集團有限公司) (“API”)	Cash	42.00%	630
Huatech Limited (華泰有限公司) (“Huatech”)	Cash	39.00%	585
ZTE Corporation	Cash	19.00%	285
<b>Total registered capital</b>	-	<b>100.00%</b>	<b>1,500</b>

The following table sets out key financial information of ZTE ITS for the past three years:

Unit: RMB in ten thousands

Financial indicators	2009 (Audited)	2010 (Audited)	2011 (Unaudited)
Total revenue	13,165	14,145	20,210
Net profit	994	2,462	2,598
Total assets	8,004	16,164	25,977
Net assets	1,911	4,349	4,804
Net cash flows from operation	-503.55	-3,736	-4,270

## II. Proposed shareholding reorganization plan of ZTE ITS

### (I) Conversion of ZTE ITS from a Sino-foreign joint venture to a domestic enterprise

In consideration of its long-term development and the solicitation of favourable policy treatments and support from the local government, API and Huatech, shareholders of ZTE ITS, have proposed to carry out internal shareholding reorganization, respectively, to convert the company from a Sino-foreign joint venture to a domestic enterprise.

#### 1. Internal shareholding reorganization by foreign shareholder API

API is a foreign enterprise incorporated in Hong Kong, China by PRC natural persons. API has proposed to transfer its entire 42% equity interest in ZTE ITS to the shareholders (who are PRC natural persons) of API at a transfer price of RMB10.8860 million.

#### 2. Internal shareholding reorganization by foreign shareholder Huatech

Huatech was incorporated in Hong Kong, China in 1999. Huatech has proposed to inject its 39.00% equity interest in ZTE ITS into Oceanwell (China) Investments Ltd. (澳盛投資管理(無錫))

有限公司) (“Oceanwell”), a wholly-owned domestic subsidiary to be established by Huatech, in the form of capital contribution at a transfer price of RMB10.1084 million.

The transfer prices of the internal shareholding organizations by API and Huatech are based on, with reference to, the appraisal report of Wuxi Chengying Assets Appraisal Company (as at 31 October 2011, the net asset value per book was RMB24.466 million and the appraised value was RMB25.919 million).

Following the equity transfer, ZTE ITS will be converted from a Sino-foreign joint venture to a domestic enterprise, with a shareholding structure as follows:

<b>Name of shareholders</b>	<b>Percentage of shareholding</b>
Oceanwell	39.00%
ZTE Corporation	19.00%
Other individual shareholders	42%
<b>Total</b>	<b>100.00%</b>

## **(II) Proposed capital increase of and solicitation of new investors in ZTE ITS**

With a view to resolving the working capital pressure, meeting the requirements for future development, motivating the employees and retaining the core team, ZTE ITS has proposed to solicit new investors for its capital increase. The capital increase is proposed to be completed in two stages. The detailed plan is as follows:

**STAGE I Solicit investments by an investment consortium led by Wuxi New District Science and Technology Financial Investment Group Company Limited (無錫市新區科技金融投資集團有限公司) (“Wuxi New District Investment Group”) and by Wuxi Haohai Investment Company Limited (無錫浩海投資有限公司) (“Wuxi Haohai”)**

### **1. Solicit investment by an investment consortium led by Wuxi New District Investment Group**

Wuxi New District Investment Group is a wholly State-owned group directly under the supervision of Wuxi New District established in November 2008. Wuxi New District Investment Group is one of the four largest venture capital groups of Jiangsu Province. It is also the corporate vice president of Jiangsu Venture Capital Association. The other members of the investment consortium are all professional risk investment firms. The investment consortium consists of: Wuxi New District Investment Group, Changzhou Defengjie Clean Technology

Venture Capital Center (Limited Partnership) (常州德豐傑清潔技術創業投資中心(有限合夥)) (“Changzhou Defengjie”), Jiangsu Land King Group Company Limited (江蘇地王集團有限公司) (“Jiangsu Land King”) and Ningbo Xinmingtian Investment Partnership (Limited Partnership) (寧波新明天投資合夥企業(有限合夥)) (“Ningbo Xinmingtian”).

Following consultations, the investment consortium led by Wuxi New District Investment Group has proposed to make a capital increase of RMB26.25 million to ZTE ITS for a 10.50% equity interest. The capital increase price is set by reference to the valuation of the equity interest of ZTE ITS as enlarged by the capital increase in this stage (i.e. RMB250 million).

## 2. Solicit investment by Wuxi Haohai

Wuxi Haohai has been established to support the operation of ongoing employee share option incentives of ZTE ITS. As it is extremely important to motivate and bind the management during this critical period of business transformation for ZTE ITS, it was agreed after consultations that Wuxi Haohai would make an addition capital contribution of RMB11.88 million for a 9.50% equity interest in ZTE ITS at a 50% discount to the pricing of capital increase made by Wuxi New District Investment Group, representing, as a form of motivation as well as binding.

To ensure the successful solicitation of Ningbo Xinmingtian as investor, following completion of the capital increase by the investment consortium led by Wuxi New District Investment Group, Oceanwell will transfer a 1% equity interest in ZTE ITS to Ningbo Xinmingtian for a consideration of RMB2.50 million.

Following the said STAGE I, the shareholding structure of ZTE ITS will be as follows:

<b>Name of shareholders</b>	<b>Percentage of shareholding</b>
Oceanwell	30.20%
ZTE	15.20%
Wuxi Haohai	9.50%
Wuxi New District Investment Group	2.00%
Changzhou Defengjie	2.50%
Jiangsu Land King	3.00%
Ningbo Xinmingtian	4.00%
Other individual shareholders	33.6%
<b>Total</b>	<b>100.00%</b>

**STAGE II Solicit investment by an equity investment fund under Wuxi Guolian Development (Group) Limited (無錫市國聯發展(集團)有限公司) (“Wuxi Guolian”)**

Wuxi Guolian was established on 8 May 1999 as a wholly State-owned limited company with capital contribution from the State-owned Assets Supervision and Administration Committee of the Wuxi People’s Government.

Following consultations, Wuxi Guolian has proposed to make, through its equity investment fund, a capital increase of RMB13.80 million to ZTE ITS for a 5% equity interest. The capital increase price is set by reference to the valuation of the equity interest of ZTE ITS as enlarged by the capital increase in this stage (i.e. RMB276 million).

Following the said STAGE II, the shareholding structure of ZTE ITS will be as follows:

<b>Name of shareholders</b>	<b>Percentage of shareholding</b>
Oceanwell	28.69%
ZTE	14.44%
Wuxi Haohai	9.03%
Wuxi New District Investment Group	1.90%
Changzhou Defengjie	2.38%
Jiangsu Land King	2.85%
Ningbo Xinmingtian	3.80%
Equity investment fund under Wuxi Guolian Fund	5.00%
Other individual shareholders	31.91%
<b>Total</b>	<b>100.00%</b>

None of the purchasers of the equity transfers and the subscribers to the capital increase involved in the proposed shareholding reorganization of ZTE ITS are related parties of the Company.

**III. Opinions of the Board of Directors and the Independent Directors**

**1. Opinion of the Board of Directors**

The aforesaid matter was considered and passed at the Twenty-seventh Meeting of the Fifth Session of the Board of Directors of the Company, who had approved the waiver by ZTE of its first right of refusal for the equity transfer and the capital contribution option for the capital increase in respect of the proposed shareholding reorganization of ZTE ITS. The main reasons are as follows:

**(1) Reasons for waiving ZTE’s first right of refusal in respect of the proposed internal shareholding reorganization of ZTE ITS**

In consideration of its long-term development and the solicitation of favourable policy treatments and support from the local government, the proposed internal shareholding reorganization of converting its corporate nature from a Sino-foreign joint venture to a domestic enterprise by the respective foreign shareholders of ZTE ITS is actually their own internal shareholding reorganization processes of two foreign shareholders . Accordingly, the Company has agreed to waive its first right of refusal in respect of the proposed internal shareholding reorganization of ZTE ITS.

If the Company does not waive its first right of refusal during the process of shareholding reorganization, ZTE has to contribute capital amounting to RMB20.99 million. Subsequent to completion of the subscription, the Company would hold the entire equity interest in ZTE ITS.

**(2) Reasons for waiving ZTE’s capital contribution option in respect of the capital increase of ZTE ITS by soliciting investments by an investment consortium led by Wuxi New District Investment Group and by Wuxi Haohai**

ZTE ITS has proposed to seek a capital increase by soliciting investments by an investment consortium led by Wuxi New District Investment Group and by Wuxi Haohai in order to resolve working capital pressure, meet requirements for future development, motivate employees and retain core team. In consideration of the above reason and the quality of the new investors solicited, the Company has agreed to waive its capital contribution option in respect of the proposed capital increase of ZTE ITS.

Subject to the waiver of the Company’s rights in (1) above, if the Company does not waive its capital contribution option and maintain its shareholding unchanged at 19% during the process of soliciting investments by an investment consortium led by Wuxi New District Investment Group and by Wuxi Haohai, ZTE has to contribute capital amounting to RMB11.73 million.

**(3) Reasons for waiving ZTE’s first right of refusal in respect of the internal equity transfers of shareholders of ZTE ITS**

Pursuant to the Agreement, following completion of the investments by the investment consortium led by Wuxi New District Investment Group and by Wuxi Haohai, Oceanwell, as a shareholder, will transfer a 1% equity interest to Ningbo Xinmingtian, a member of the investment consortium. In order to ensure the successful solicitation of the investment consortium led by Wuxi New District Investment Group, ZTE has agreed to waive its first right of refusal in respect of the proposed transfer of 1.0% equity interest by Oceanwell to Ningbo Xinmingtian.

Subject to the waivers of the Company's rights in (1) and (2) above, if the Company does not waive its first right of refusal during the process of the transfer of 1% equity interest by Oceanwell to Ningbo Xinmingtian, ZTE has to contribute capital amounting to RMB2.50 million. Subsequent to completion of the subscription, the Company would hold a 16.2% equity interest in ZTE ITS.

**(4) Reasons for waiving ZTE's capital contribution option in respect of the capital increase of ZTE ITS by soliciting investments by Wuxi Guolian**

ZTE ITS has proposed to seek a capital increase by soliciting investments by Wuxi Guolian in order to resolve working capital pressure and to meet requirements for future development. In consideration of the above reason and the quality of the new investor solicited, the Company has agreed to waive its capital contribution option in respect of the proposed capital increase of ZTE ITS.

Subject to the waiver of the Company's rights in (1), (2) and (3) above, if the Company does not waive its capital contribution option and maintain its shareholding unchanged at 15.2% during the subsequent process of soliciting investment by Wuxi Guolian, ZTE has to contribute capital amounting to RMB2.47 million.

Taking into account such factors as the present stage of development and past growth records in performance of ZTE ITS and the quality of investors solicited, the pricing in respect of the proposed capital increases of ZTE ITS by the investors solicited are within a reasonable range.

As ZTE ITS has reported a CAGR of 23.9% in revenue from principal activities for the past three years, the matter will also be subject to consideration by the General Meeting of the Company in accordance with the "Information Disclosure Memorandum No. 35 – Waiver of Rights" announced by the Management Department of Shenzhen Stock Exchange on 29 June 2011, which stipulates that "IV. The waiver of rights by a listed company in one of the following circumstances should be subject to consideration by the general meeting of the company, in addition to being disclosed in a timely manner; (IV) the subsidiary (investee, joint venture project) involved in the waiver of rights has reported a CAGR of over 20% in its revenue from principal activities."

**2. Opinion of the Independent Directors**

The Independent Directors of the Company are of the view that the matter has been dealt with in a manner in compliance with the Company Law of the People's Republic of China, the

Information Disclosure Memorandum No. 35 – Waiver of Rights, the Articles of Association of ZTE Corporation and other pertinent laws and regulations.

### **3. Voting at the Board of Directors**

The Directors of the Company considered and unanimously approved the “Resolution of ZTE Corporation on the Waiver of Rights.”

### **IV. Impact on the Company**

ZTE holds a 19% equity interest in ZTE ITS prior to its shareholding reorganization. If the shareholding reorganization is completed, ZTE will hold a 14.44% equity interest. The proposed reorganization of ZTE ITS will not have any significant impact on the financial and operating results of ZTE for the current period.

### **V. Documents for Inspection**

1. Resolutions of the Twenty-seventh Meeting of the Fifth Session of the Board of Directors of ZTE Corporation;
2. Resolutions of the Fifteenth Meeting of the Fifth Session of the Supervisory Committee of ZTE Corporation;
3. The Independent Opinion furnished by the Independent Directors of the Company in respect of the aforesaid waiver of rights.

By Order of the Board  
**Hou Weigui**  
*Chairman*

Shenzhen, PRC  
28 March 2012

*As at the date of this announcement, the Board of Directors of the Company comprises three executive directors, Shi Lirong, Yin Yimin and He Shiyou; five non-executive directors, Hou Weigui, Xie Weiliang, Wang Zhancheng, Zhang Junchao and Dong Lianbo; and five independent non-executive directors, Qu Xiaohui, Wei Wei, Chen Naiwei, Tan Zhenhui and Timothy Alexander Steinert.*